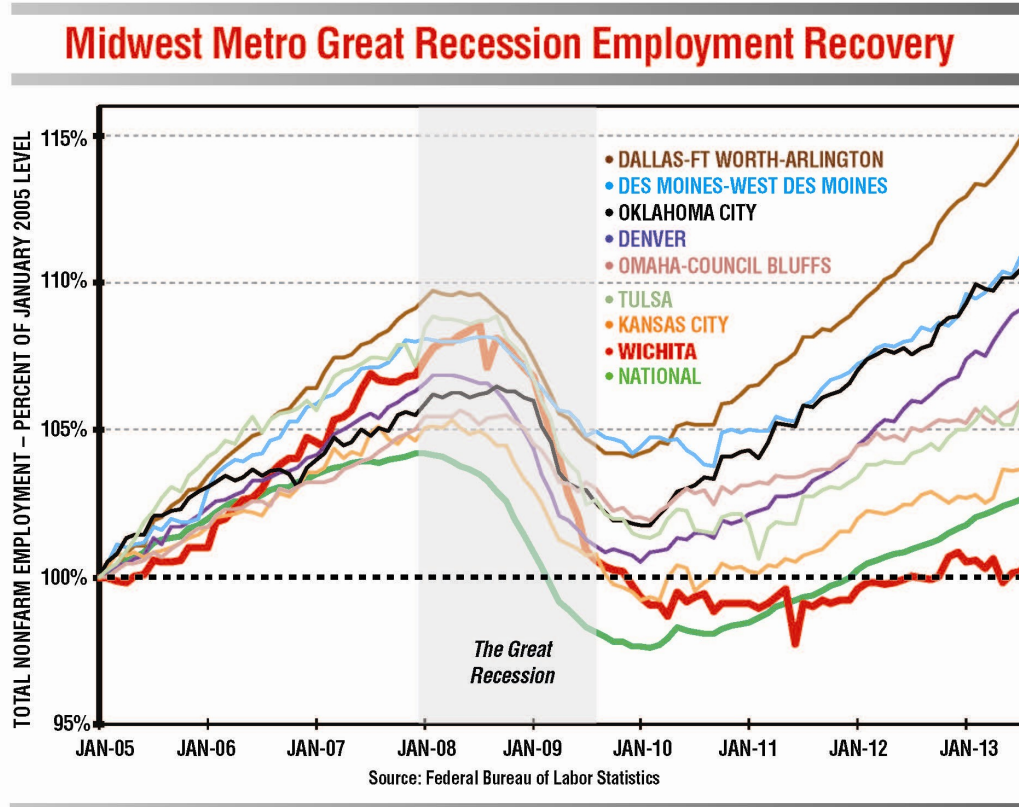


The City of Wichita was hard hit by economic downturn in 2008—2009. The total non-farm payroll in the Wichita metro area has just barely recovered to 2005 levels. This is lower than seven neighboring Midwestern metro areas, and lower than the national average. A new “Jobs Fund” strategy would seek to reverse this trend, by accelerating job growth in the Wichita metro area, and increasing the economic vitality and sustainability of the region. Resources estimated at \$90 million over five years would be strategically invested in training, infrastructure and incentives that would create jobs. This type of financial assistance has been important in creating new jobs, based on historical inquiries to the local public-private entity tasked with selling our community to business and industry, the Greater Wichita Economic Development Coalition (GWEDC), as well as examples from peer cities.

Objectives for a local Jobs Fund would include increased diversification within the aviation industry and in high profile emerging global industries. Incentives would be based on several criteria, including a positive return on investment for the community, the creation of jobs with competitive salaries, and adding “primary” jobs (those that produce wealth generated from outside the metro area). Accountability and oversight would be provided with a new streamlined process that includes public and private representatives, as well as citizen representation. Creating and funding a new Jobs Fund would be a vital tool to improve the economic vitality of the Wichita metro area.

Economic Conditions in the Wichita Metro Area

Wichita was hit hard by the recession and recovery has been slow. Compared to other Midwestern cities (as shown below), employment in Wichita is only slightly higher than 2005 levels. Every other Midwestern city has experienced greater growth since 2005.



Wichita and the surrounding economic region are at a distinct disadvantage when competing for jobs with other cities, counties and states. When recruiting or working to grow existing businesses, many of these geographic regions use financial incentives to decrease the costs for businesses to relocate or expand. Uses for the funds range from developing shovel-ready industrial sites to training to cash-incentives. These so-called “Jobs Funds” are often funded through public dollars, including property tax, sales tax and bonds. In order to compete for primary jobs – defined as those that generate wealth from outside the community – Wichita clearly would benefit from a Jobs Fund that would assist in recruiting new business and industry to the community or helping those already here expand.

Greater Wichita Economic Development Coalition Strategies

The Greater Wichita Economic Development Coalition (GWEDC) is in the process of updating its plans, which will include addressing four issues that need the most competitive improvement to successfully attract new businesses and industries to the region, while expanding those already here. These four strategies include:

- Real estate solutions to meet demand;
- Changing perceptions by telling our story;
- Diversifying our regional economy; and
- Assembling resources and financial clout through a dedicated Jobs Fund.

Using Public Funds for Economic Development

A Jobs Fund would be used for a number of focused areas, all designed to help existing industry expand and attract new industry to the Wichita metro area. This would range from incentive payments to funding of training programs to providing infrastructure like runways, rail, roads and streets for large projects. The Jobs Fund would be used according to policy, and an oversight model would be developed to ensure accountability. To adequately compete in primary job creation, an estimated \$90 million would be necessary.

A Jobs Fund would provide a source for incentive payments. These initial incentives can be an effective tool for retaining local business and to encourage expansion of local business operations in Wichita. Often, local business are prepared to relocate, or to expand in other markets unless incentives are offered. Establishing a resource to prudently provide those incentives would help add jobs. In addition, funding would also be available for training new employees. This could involve funding tuition for existing training programs, as well as resources for company-specific training efforts necessary to attract new employees.

Encouraging private development of spec buildings is a priority. These buildings provide a ready resource for attracting new businesses to Wichita. However, since the development of these buildings is speculative, resources often are not available. A Jobs Fund could be utilized to encourage private development by reducing the speculative risk. For example, a loan program could be developed that creates a revolving fund for continued development of spec buildings.

Depending on the site, relocation of businesses can require significant investment. A Jobs Fund would be utilized to offset some of these costs. This could include gas, water, sewer and other utility lines. For larger businesses, it could include the expansion of rail access or runway access. Often street improvements are necessary to improve the capacity of the road network near a site. Resources would be used for these improvements as needed to put in place the infrastructure needed for employer relocation. Site purchases may be necessary to attract employers and create new jobs. Usually, this takes the form of long-term options on property. However, acquisition of land could be a beneficial tool and would be used if necessary. Although the preferred course of land development is

to utilize a private developer or the end user, a Jobs Fund would provide the ability, if needed, for the City to participate in a joint venture to develop mega site property for a large project.

Eligibility requirements

Incentives would be provided using a standard set of guidelines based on business principles and practices. Based on these guidelines, Wichita can compete for high quality, primary jobs and create benefits for the community. This policy would be designed to be flexible, business friendly and competitive; but would also focus on ensuring responsible stewardship of the public funds being utilized. Businesses of all sizes – small, medium and large - would qualify based on the following criteria:

Competition: Businesses that would locate jobs or production to other places, or businesses that would not expand in Wichita “but for” financial incentives.

Primary Jobs: Priority would be placed on businesses that create high quality, primary jobs. A primary job is one that produces a product or a subcomponent of a product that is consumed outside of the community where the job exists. In general, these jobs are more valuable because they import wealth into the local community and its economy.

Wage and Salary Criteria: To qualify for incentives, a company must pay at least the average of either the most appropriate North American Industry Classification System (NAICS) for the industry or the Occupational Employment Statistics (OES) mean by occupation. If the average wage criteria is not met, the number of jobs may be considered.

Positive Return on Investment (ROI): Any proposal would be required to contribute an aggregated positive return on investment to the community. This ROI will require further refinement, but the intent is that a positive return is expected and will be measured by an independent entity.

Capital Investment: Businesses would be required to make a capital investment to be eligible. Approval of incentives, in accordance with the above criteria, would be based on a financial analysis of the company. In addition, an incentive policy would follow the “good neighbor” policy, or sometimes called a “fair play” agreement, between all jurisdictions in Sedgwick County. Finally, to ensure coordination throughout the jurisdictions in Sedgwick County, an appropriate tax-sharing agreement – between the City of Wichita and cities in the County would be developed.

Incentives would include “claw back” provisions as necessary. Companies must agree to all terms and conditions regarding foregoing or repayment of incentives and payment of penalties associated with a default caused by non-performance as negotiated in a Development Agreement. Alternatively, the structure could be a “pay-for-performance” model, providing incentives as jobs are created.

Targeted Industries

A new Jobs Fund and the corresponding policy would be intended to accommodate the ever-changing landscape when competing for primary jobs. Any companies with high-quality, primary jobs will be considered for appropriate incentives and not excluded. However, targeted industries will be proactively sought to expand or relocate based on updated information obtained from a 2009 Site Selection Group (SSG) report, which identified “next generation” industries well-suited for Wichita. These targeted industries include:

Diversification within the Aviation Industry, including:

- Commercial and Military Airframes
- General Aviation
- Supplier Linkages
- Engineering
- Engines
- Avionics
- Component Repair
- Maintenance Repair and Overhaul
- Advanced Materials

High Profile Emerging Global Industries (not aviation), including:

- Additive and Advanced Manufacturing (includes health care devices, products and services)
- Unmanned Aerial Systems (UAS)
- Food/Value-Added Agriculture
- Professional Services
- Information Technology
- Cyber Security
- Energy and Energy Services (oil and gas service and supply chain)

Ensuring Funds are Used Effectively

The use of a Jobs Fund would be guided by policy. A key goal in the utilization of a Jobs Fund would be to streamline decision-making about incentives. However, as with the use of any public funds, it is critically important to maintain accountability and transparency. Although a final model has not been determined, a general framework has been established to ensure accountability and establishment of priority, while at the same time operating in a streamlined manner.

GWEDC - To provide marketing services for the community, as well as advocacy for business and negotiations of incentive deals, GWEDC would be utilized. GWEDC would remain funded with a combination of City, County and private sector resources.

Commission/Group of Trustees - To actually administer the Jobs Fund and to approve incentives (in accordance with the policy), it is proposed that a new commission would be created. While this model is still being developed, a commission would operate with bylaws prescribing the general qualifications and terms of members, and a nomination process for members. Representation could include a member from the City Council, as well as business representation from GWEDC, the Wichita Metro Chamber of Commerce or other Wichita business leaders with economic development knowledge.

City Council - The City Council would provide policy direction by approving the Jobs Fund and economic development policies. In addition, the City Council would approve the budget for the Commission/Group of Trustees and approve any incentives that deviate from the policy. The Commission/Group of Trustees would provide regular reports to the Council.

Oversight Committee - A third-party oversight committee including members of the community would be created to review financial activities. This would include the engagement of a local CPA firm to conduct an annual financial audit.